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Global Analysis Report

Market Overview

China

September 2016

MARKET SNAPSHOT

- China was the most populous country in the world with 1.36 billion people in 2015. The population is expected to reach 1.4 billion by 2020.
- China was the world's second-largest economy and the world's largest all merchandise exporter in 2015. China was also the world's third-largest importer of agri-food and seafood products (considering the EU 28 as a single market).
- China had a gross domestic product (GDP) of US$10.9 trillion in 2015, which is expected to grow by 6.5% in 2016.
- Annual consumer expenditure was US$3,005 per capita in 2015, with food and non-alcoholic beverages representing US$750 or 25% of that total.
- The consumer foodservice industry is expanding alongside a rising middle-class population, and is forecasted to reach total value sales of US$745.3 billion by 2018.
- With growing disposable incomes, Chinese consumers are seeking products that offer convenience. Packaged food sales continue to grow steadily, and are expected to reach a value of US$350.5 billion by 2020.
- The top packaged food company in the market is currently Inner Mongolia Yili with 5.8% market share, followed by China Mengniu Dairy Co. Ltd. (5.6%) and Nestlé (3.7%).

CONTENTS

Market Snapshot 1
Production 2
Trade 3
Consumer Foodservice 4
Retail Sales 5
For More Information 6
Resources 7

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PRODUCTION

- In the past few years, corn has overtaken rice as China's primary domestic crop. Volume production grew by a compound annual growth rate of 5.0% from 2010 to 2014.
- Meat production is dominated by pork which has grown by a compound annual growth rate of 2.9% from 2009 to 2013. Poultry, the second-largest meat category, grew by a compound annual growth rate of 3.3% over the same period.
- Pig, sheep, and buffalo numbers have increased from 2010 to 2014, while goat and cattle numbers have declined.

Top Ten Crops Produced in China (That Are Also Produced in Canada), '000 tonnes

Crops	2010	2011	2012	2013	2014	CAGR* % 2010-2014
Maize	177,540.8	192,904.2	205,719.3	218,621.9	215,812.1	5.0%
Wheat	115,186.2	117,414.0	121,030.1	121,930.5	126,212.8	2.3%
Potatoes	81,594.2	88,353.8	92,807.9	95,987.5	96,136.3	4.2%
Sweet potatoes	74,381.7	75,567.9	71,415.6	70,741.2	70,963.6	-1.2%
Soybeans	15,083.2	14,485.1	13,011.1	11,951.4	12,201.2	-5.2%
Rapeseed	13,082.0	13,426.0	14,007.3	14,458.0	11,600.0	-3.0%
Sugar beet	9,296.0	10,731.0	11,469.1	9,259.8	8,418.7	-2.4%
Sorghum	2,460.4	2,054.3	2,559.1	2,894.8	2,962.2	4.7%
Sunflower seed	2,298.0	2,313.0	2,322.7	2,423.2	2,380.0	0.9%
Millet	1,573.4	1,567.7	1,796.0	1,746.5	1,780.5	3.1%

Source: *FAOSTAT Agricultural Production, May 2016* ****CAGR:*** *compound annual growth rate*

Top Five Meats Produced in China, '000 tonnes

Meat indigenous ('000 tonnes)	2009	2010	2011	2012	2013	CAGR* % 2010-2013
Pork	47,924.8	49,581.5	49,396.4	52,308.7	53,752.0	2.9%
Poultry	16,616.5	17,242.9	17,799.7	18,696.4	18,938.4	3.3%
Beef and Veal	6,060.1	6,243.7	6,182.2	6,306.4	6,408.2	1.4%
Duck Meat	2,615.7	2,717.6	2,802.0	2,949.6	2,986.8	3.4%
Mutton and Lamb	2,044.0	2,070.0	2,044.0	2,045.0	2,081.0	0.4%

Source: *FAOSTAT Agricultural Production, May 2016* ****CAGR:*** *compound annual growth rate*

Top Five Livestock Produced in China, '000 head

Livestock ('000 head)	2010	2011	2012	2013	2014	CAGR* % 2010-2014
Pigs	476,260.0	470,961.0	474,109.5	482,102.7	480,093.3	0.2%
Sheep	176,900.2	178,100.2	183,265.2	191,349.2	202,155.8	3.4%
Goats	195,857.1	184,910.5	183,222.1	182,434.8	188,030.5	-1.0%
Cattle	121,431.5	114,899.8	114,116.4	113,644.7	117,409.6	-0.8%
Buffaloes	23,602.1	23,382.1	23,347.9	23,253.5	23,779.8	0.2%

Source: *FAOSTAT Agricultural Production, May 2016* ****CAGR:*** *compound annual growth rate*

TRADE

- China is a net importer of agri-food and seafood products. In 2015, China's agri-food and seafood trade deficit was C$58.5 billion with imports valued at C$148.5 billion, and C$90 billion in exports. China's agri-food and seafood imports increased at a compound annual growth rate of 10.4% from 2013 and 2015.

- China's top agri-food and seafood imports in 2015 were soybeans, palm oil, grain sorghum, barley, and cotton. Key supplying countries were the United States, Brazil, Australia, Canada, and Argentina. Canada was China's fourth-largest supplier of total agri-food and seafood products in 2015, with 4.5% market share.

China's Top Agri-Food and Seafood Imports from the World, 2015

Commodity	Import Value C$ millions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
Soybeans	44,753.1	Brazil 48.5%	United States 35.5%	Argentina 11.4%	0.0%
Palm oil	4,733.2	Indonesia 58.2%	Malaysia 41.7%	India 0.1%	0.0%
Grain sorghum	3,793.4	United States 83.1%	Australia 16.2%	Argentina 0.7%	0.0%
Barley, excluding seed	3,639.7	Australia 43.0%	France 38.8%	Canada 10.7%	10.7%
Cotton, not carded or combed	3,254.6	United States 37.7%	Australia 18.9%	India 14.1%	0.0%
Food preparations for infant use	3,245.7	Netherlands 32.2%	Ireland 16.2%	Germany 12.0%	0.0%
Whole hides and skins	3,163.5	United States 49.2%	Australia 18.9%	Canada 5.7%	5.7%
Greasy shorn wool	2,707.1	Australia 72.8%	South Africa 8.3%	New Zealand 7.3%	0.0%
Cassava	2,683.7	Thailand 80.7%	Vietnam 18.0%	Cambodia 1.0%	0.0%
Frozen, boneless meat of bovine animals	2,571.9	Australia 30.2%	Uruguay 20.2%	New Zealand 15.0%	8.9%

Source: *Global Trade Atlas, 2016*

- China's processed food imports were valued at C$55.0 billion in 2015. Canada's share was 2.8%. The United States, Indonesia, New Zealand, Australia, and France were the largest suppliers of processed food to China in 2015, providing 41.9% of the market. China's processed food imports grew by a compound annual growth rate of 11.9% from 2013 to 2015.
- Canada's agri-food and seafood exports to China were valued at C$6.3 billion in 2015. Top exports were canola, soybeans, canola oil, non-durum wheat, and dried peas. In 2015, Canada registered an agri-food and seafood trade surplus of C$4.9 billion with China.

CONSUMER FOODSERVICE

- The foodservice industry in China grew by an estimated compound annual growth rate of 8.9% from 2011 to 2015. Growth is expected to continue at a compound annual growth rate of 7% from 2016 to 2018. Although small in terms of overall sales, the category of 100% home delivery/takeaway showed the fastest growth rate from 2011 to 2015 with a compound annual growth rate of approximately 24.5%. This category is expected to continue increasing over the forecast period from 2016 to 2018 with a compound annual growth rate of 19%.

- Despite food safety issues and the economic downturn, eating out remains popular in China. Full-service restaurants and fast food outlets are the most common venues. Breakfast is a key time for eating out during the work week. Main customers are the younger generations. Family dining in full-service restaurants is also very common, particularly for special occasions. Preferred beverages are tea, soft drinks, and beer.

- Intense competition in the foodservice industry makes it imperative for operators to ensure high quality products and service in order to maintain their customer base.

Consumer Foodservice Sales in China
Historic in US$ Millions, Fixed 2014 Exchange Rate

Category	2011	2012	2013	2014[E]	2015[E]	CAGR* % 2011-15[E]
Total consumer foodservice	**429,165.3**	**472,017.9**	**510,842.2**	**555,954.0**	**603,380.5**	**8.9**
Full-service restaurants	315,408.6	347,191.3	374,720.3	405,848.5	438,321.4	8.6
Fast food	98,407.4	107,750.6	117,023.6	128,793.4	141,322.8	9.5
Cafés/bars	8,021.8	9,266.3	10,746.0	12,339.6	14,131.5	15.2
Street stalls/kiosks	6,825.6	7,228.1	7,686.6	8,214.2	8,743.9	6.4
Self-service cafeterias	418.3	481.1	536.4	596.1	659.8	12.1
100% home delivery	83.6	100.5	129.3	162.2	201.1	24.5
Pizza consumer foodservice**	1,715.3	2,151.5	2,563.9	3,046.4	3,594.7	20.3

Source: *Euromonitor International, 2014* ****CAGR:*** *compound annual growth rate* ***E:*** *estimate*
***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

Consumer Foodservice Sales in China
Forecast in US$ Millions, Fixed 2014 Exchange Rate

Category	2016	2017	2018	CAGR* % 2016-18
Total consumer foodservice	**650,873.7**	**698,183.8**	**745,310.0**	**7.0**
Full-service restaurants	470,568.8	502,370.7	533,697.2	6.5
Fast food	154,117.1	167,099.8	180,249.9	8.1
Cafés/bars	15,977.4	17,928.1	20,013.0	11.9
Street stalls/kiosks	9,241.2	9,699.2	10,139.0	4.7
Self-service cafeterias	726.8	795.7	867.3	9.2
100% home delivery	242.5	290.3	343.6	19.0
Pizza consumer foodservice**	4,195.7	4,851.1	5,557.8	15.1

Source: *Euromonitor International, 2014* ****CAGR:*** *compound annual growth rate*
***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

RETAIL SALES

- Packaged food sales increased at a compound annual growth rate of 10.6% over the period from 2011 to 2015 and are expected to continue increasing at a slower compound annual growth rate of 7.4% from 2016 to 2020. Within this category, the best performing segment was baby food, possibly due to the Chinese government's switch from a one-child policy to a two-child policy in October 2015. This segment registered a compound annual growth rate of 18.3% from 2011 to 2015, followed by dairy at 14.2%.

- The Chinese recognize the importance of health and wellness products as shown by the compound annual growth rate of all types of health and wellness food products over the period from 2011 to 2015, particularly organics, which grew by 36.2%. Although retail sales of organics are relatively small compared to naturally healthy and fortified/functional foods, there is great potential for growth with organic sales forecasted to increase at a compound annual growth rate of 15% over the forecast period of 2016 to 2020.

- Supermarkets and hypermarkets are the main distribution channels for packaged food and are outperforming small independent grocers. However, these channels have lost market share in packaged food sales in recent years due to rising competition from e-commerce sites, which are experiencing growth thanks to the increasing number of smartphone and Internet users.

Agri-Food Retail Sales in China
Historic in US$ Millions, Fixed 2015 Exchange Rate

Category	2011	2012	2013	2014	2015	CAGR* % 2011-15
Health and Wellness by Type	**66,203**	**77,540**	**90,972**	**103,861**	**116,556**	**15.2**
Naturally Healthy	33,278	38,457	45,040	50,936	56,461	14.1
Fortified/Functional	30,850	36,618	42,929	49,342	55,963	16.1
Organic	485	682	993	1,342	1,669	36.2
Better For You	998	1,124	1,260	1,396	1,521	11.1
Food Intolerance	591	658	750	846	942	12.4
Packaged Food	**164,039**	**184,155**	**204,377**	**223,837**	**245,195**	**10.6**
Dairy	37,704	42,701	48,896	56,163	64,152	14.2
Rice, Pasta, and Noodles	23,342	26,566	28,826	30,745	32,977	9.0
Baked Goods	15,854	18,108	20,693	23,404	26,111	13.3
Baby Food	11,124	13,476	16,240	18,740	21,765	18.3
Confectionery	11,803	12,947	14,163	15,418	16,613	8.9
Sweet and Savoury Snacks	11,461	12,189	13,360	14,575	15,757	8.3
Sauces, Dressings and Condiments	10,055	11,142	12,185	13,701	15,102	10.7
Oils and Fats	13,051	15,091	15,543	15,207	15,032	3.6
Processed Meat and Seafood	12,663	13,374	14,487	14,225	14,174	2.9
Biscuits and Snack Bars	6,929	7,842	8,304	9,109	9,922	9.4
Ice Cream and Frozen Desserts	6,517	6,861	7,442	7,965	8,659	7.4
Ready Meals	999	1,107	1,232	1,309	1,393	8.7
Processed Fruit and Vegetables	977	1,035	1,133	1,243	1,342	8.2
Spreads	937	1,007	1,071	1,139	1,204	6.5
Breakfast Cereals	582	662	745	829	918	12.1
Soup	43	50	57	65	74	14.1

Source: *Euromonitor International, 2016*

***CAGR:** *Compound Annual Growth Rate*

Agri-Food Retail Sales in China
Forecast in US$ Millions, Fixed 2015 Exchange Rate

Categories	2016	2017	2018	2019	2020	CAGR* % 2016-20
Health and Wellness by Type	**128,597**	**142,213**	**157,041**	**173,130**	**190,522**	**10.3**
Naturally Healthy	61,637	67,233	73,156	79,522	86,218	8.8
Fortified/Functional	62,326	69,771	78,113	87,263	97,340	11.8
Organic	1,996	2,376	2,736	3,097	3,497	15.0
Better For You	1,610	1,710	1,815	1,921	2,030	6.0
Food Intolerance	1,028	1,122	1,222	1,328	1,438	8.8
Packaged Food	**262,949**	**282,735**	**303,928**	**326,489**	**350,503**	**7.4**
Dairy	70,918	78,264	85,919	93,930	102,297	9.6
Rice, Pasta, and Noodles	34,561	36,373	38,390	40,592	42,965	5.6
Baked Goods	28,334	30,608	32,961	35,390	37,921	7.6
Baby Food	24,992	28,949	33,339	38,183	43,539	14.9
Confectionery	17,454	18,310	19,199	20,074	20,953	4.7
Sweet and Savoury Snacks	16,572	17,386	18,190	18,985	19,766	4.5
Sauces, Dressings and Condiments	16,154	17,224	18,306	19,391	20,470	6.1
Oils and Fats	14,765	14,767	15,021	15,536	16,327	2.5
Processed Meat and Seafood	14,322	14,611	14,984	15,397	15,848	2.6
Biscuits and Snack Bars	10,534	11,151	11,786	12,445	13,133	5.7
Ice Cream and Frozen Desserts	9,157	9,650	10,133	10,600	11,049	4.8
Ready Meals	1,478	1,567	1,658	1,751	1,847	5.7
Processed Fruit and Vegetables	1,413	1,480	1,548	1,616	1,688	4.5
Spreads	1,236	1,265	1,292	1,318	1,341	2.1
Breakfast Cereals	980	1,043	1,109	1,177	1,248	6.2
Soup	80	88	95	104	112	8.7

Source: *Euromonitor International, 2016* ****CAGR:*** *Compound Annual Growth Rate*

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  www.tradecommissioner.gc.ca/cn
- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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- ats-sea.agr.gc.ca

RESOURCES

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Prepared by: Julie Acheson, Market Analyst

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Agriculture and Agri-Food Canada, Global Analysis
1341 Baseline Road, Tower 5, 3rd floor
Ottawa, ON
Canada K1A 0C5
E-mail: MAS-SAM@agr.gc.ca

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